CHMELIK SITKIN & DAVIS P.S. 1500 Railroad Avenue Bellingham, WA 98225 (360) 671-1796

# 201911070074

11/07/2019 03:42 PM Pages: 1 of 27 Fees: \$129.50 Skagit County Auditor

## RIGHT OF FIRST OPPORTUNITY

Grantor(s): ANACORTES HOUSING AUTHORITY

Grantee(s): PORT OF ANACORTES

Legal Description: LTS 19-20, BLK 31, ANACORTES

Tax Parcel No(s): P55040 \$\times 134591 \quad \text{GUARDIAN NORTHWEST TITLE CO.}

Ref. No. of Related Doc(s):

19-1350

THE GRANTOR, the Anacortes Housing Authority, a Washington municipal corporation (the "Housing Authority"), for and in valuable consideration received, does hereby grant the Port of Anacortes, a Washington municipal corporation (the "Port") the Right of First Opportunity in the following described real property and the improvements thereon, legally described as follows (the "Property"):

Lots 19-20, Block 31, "Map of the City of Anacortes," as per Plat recorded in Volume 2 of Plats, Pages 4-7, records of Skagit County, Washington;

Situate in Skagit County, Washington.

Tax Parcel No. P55040. P134591

1. Restriction on Transfer. It is noted that the Port transferred the Property to the Housing Authority for one-dollar (\$1.00) and other good a valuable consideration pursuant to a Purchase and Sale Agreement entered into of substantially even date herewith (the "PSA") based upon the Housing Authority's plan to redevelop the Property as subsidized workforce housing and ground floor retail owned and operated by the Housing Authority (collectively the "Agreed Use"). The term "subsidized workforce housing" means affordable housing for households with earned income that is insufficient to secure quality housing within a reasonable proximity to jobs in the City of Anacortes. This Right of First Opportunity provides certain rights to the Port in the event that the Housing Authority elects not to undertake or continue the Agreed Use. This Right of First Opportunity is part of the consideration provided to the Port by the Housing Authority for the Property.

2. **Grant of Right of First Opportunity to Purchase.** The Housing Authority does hereby grant and convey to the Port the Right of First Offer ("ROFO") and Right of First Refusal ("ROFR") to purchase the Property under the terms and conditions, and for the term set forth herein (the "Agreement").

#### Right of First Offer.

- 3.1 <u>Grant of Right of First Offer.</u> Prior to the Property being fully funded for redevelopment and used for the Agreed Use, the Port is hereby granted a Right of First Offer to purchase the Property for the sum of one-dollar (\$1.00) in the event that the Housing Authority determines to sell, lease, or transfer (collectively the "ROFO Transfer"). It is noted that one-dollar (\$1.00) is the amount equal that the Housing Authority purchased the Property from the Port.
- 3.1.1. Exception to ROFO Transfer. The Port's Right of First Offer shall not arise in the following limited circumstance: the Housing Authority transfers the Property to another entity where i) the entity is formed for the exclusive purpose of developing or maintaining the Property for the Agreed Use; and ii) the Housing Authority retains the managing or controlling interest in that entity.
- 3.2. ROFO Notice to the Port. In the event that, prior to the Property being developed and used for the Agreed Use, the Housing Authority determines to sell, lease, or transfer (collectively the "ROFO Transfer") the Property or any portion thereof the Housing Authority shall, before listing or marketing the Property for sale, executing a contract with a listing broker, making or accepting an offer to purchase the Property or otherwise executing or recording any deed for the Property or portion thereof, promptly deliver to the Port a notice of the Housing Authority's intent to transfer the Property or any portion thereof (the "ROFO Notice").
- 3.1.1 *Port's Response.* The Port shall notify the Housing Authority in writing within forty-five (45) days of receiving the ROFO Notice of the Port's election to purchase the Property. If the Port fails to provide notice within forty-five (45) days, it shall be deemed an election by the Port not to purchase the Property.
- 3.1.2 Continuing Right. If the Port fails to reply to the Housing Authority's ROFO Notice within the stipulated period or otherwise elects not to purchase the Property, the Housing Authority may proceed to with a ROFO Transfer so long as the ROFO Transfer is completed within one (1) year after the date of the ROFO Notice. This Right of First Offer shall be a continuing right. That is, if the Port does not respond to the ROFO Notice or elects not to purchase the Property, and if the Housing Authority thereafter does not close a ROFO Transfer within one (1) year from the ROFO Notice, then the Housing Authority shall again submit a ROFO Notice for any ROFO Transfer.
- 3.1.3 Exercise of Port's Right. If the Port elects to exercise its Right of First Offer as provided herein, then the transaction will be closed within sixty (60) days pursuant to

the terms of a commercially reasonable purchase and sale agreement substantially similar to the PSA between the Parties described in Paragraph 1, including the indemnification and release language set forth therein, and that contains no representations or warranties, and no disclosure statement. All revenues and expenses of the Property shall be prorated as of 12:01 a.m. on the closing date. Title shall be conveyed by statutory warranty deed.

## 4. Right of First Refusal.

- 4.1. <u>Grant of Right of First Refusal</u>. After the Property redevelopment has been fully funded for the Agreed Use and if the Housing Authority determines to sell, lease, or transfer the Property (collectively the "ROFR Transfer"), the Port is hereby granted a Right of First Refusal to acquire the Property under the same terms and for the same price as a bona fide offer from a third-party. The Housing Authority shall, before entering into an agreement to Transfer, first provide the Port with the ROFR Transfer agreement signed by the third-party (the "ROFR Notice").
- 4.1.1 ROFR Absent Bona Fide Offer. If the Housing Authority determines to sell, lease, or transfer the Property absent a bona fide offer, the Port may, at their sole discretion, purchase the property at appraised fair market value. The Port and Housing Authority shall mutually agree upon a disinterested, MAI certified appraiser with at least ten (10) years' experience appraising property in Skagit County to perform an appraisal of the fair market value for the applicable portion of the Premises. Such appraisal shall be provided at the expense of the Housing Authority.
- 4.1.2 *Port's Response*. The Port shall notify the Housing Authority in writing within forty-five (45) days of receiving the ROFR Notice of the Port's election to acquire the Property under the same terms and conditions of the ROFR Transfer agreement. If the Port fails to provide notice within forty-five (45) days it shall be deemed an election by the Port not to acquire the Property.
- 4.1.3 Continuing Right. If the Port fails to reply to the Housing Authority's ROFR Notice within the stipulated period or otherwise elects not to acquire the Property, the Housing Authority may proceed to execute the ROFR Transfer agreement. This Right of First Refusal to purchase shall be a continuing right. That is, if the Housing Authority thereafter does not close a transaction pursuant to the to the terms of the ROFR Transfer agreement, then the Housing Authority shall submit any subsequent ROFR Transfer agreement for the Port's review and potential exercise of the Port's Right of First Refusal.
- 4.1.4 Exercise of Port's Right. If the Port elects to exercise its Right of First Refusal as provided herein, the Port and Housing Authority shall promptly execute an agreement with the Port under the same terms and conditions as the ROFR Transfer agreement.
- 5. <u>Term of Agreement</u>. This Agreement shall remain in effect for a period of fifty (50) years from the date the Property receives a certificate of occupancy for the subsidized

workforce housing, at which time it shall automatically terminate without the requirement for any further action from the Port or the Housing Authority.

- 6. Additional Acts. Except as otherwise provided herein, in addition to the acts and deeds recited herein and contemplated to be performed, executed, and/or delivered by the Port or the Housing Authority, the Port and the Housing Authority hereby agree to perform, execute, and/or deliver, or cause to be performed, executed, and/or delivered, any and all such further acts, deeds, and assurances as the Housing Authority or the Port, as the case may be, may reasonably require to effectuate the agreement herein. Time is specifically declared to be of the essence of this Agreement and of all acts required to be done and performed by the parties hereto.
- 7. <u>Notices.</u> All notices, demands, requests, consents, and approvals which may, or are required to be given by any party to any other party hereunder, shall be in writing and shall be deemed to have been duly given if delivered personally, sent by a nationally recognized overnight delivery service, or if mailed or deposited in the United States mail and sent by registered or certified mail, return receipt requested, postage prepaid to:

Housing Authority at: Executive Director

**Anacortes Housing Authority** 

719 Q Avenue

Anacortes, WA 98221

Port at: Executive Director

Port of Anacortes

100 Commercial Avenue Anacortes, WA 98221

or to such other address as either party hereto may from time-to-time designate in writing and deliver in a like manner. All notices shall be deemed complete upon actual receipt or refusal to accept delivery. E-mail transmission of any signed original document, and retransmission of any signed e-mail transmission shall be the same as delivery of an original document. At the request of either party, the parties will confirm e-mail transmitted signatures by signing an original document. If the last day of a period falls on a day on which the recording office of the county in which the Property is located is closed, the expiration of the period shall be extended to the first day thereafter in which any such recording office is open.

8. <u>Waiver</u>. No failure by the Port or the Housing Authority to insist upon the strict performance of any covenant, duty, agreement, term, or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement, term, or condition. Any party hereto, by notice, and only by notice, as provided herein, may, but shall be under no obligation to, waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation, or covenant of any other party hereto. No waiver shall affect or alter this Agreement, and each

and every covenant, duty, agreement, term, and condition of this Agreement shall continue in full force and effect, with respect to any other term then existing or subsequent breach thereof.

- 9. <u>Neutral Authorship.</u> Each of the provisions of this Agreement has been reviewed and negotiated and represents the combined work product of all parties hereto. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.
- 10. <u>Covenant Running with Land</u>. This ROFO shall be a covenant running with the land and binding on the Housing Authority's successors and assigns. Notwithstanding the covenant, the Parties acknowledge that financing, grants or funding for the Agreed Use might require that the Port subordinate its interest to that of the lender, grantor or other funding entity. The Parties agree that upon reasonable request by the Housing Authority for purposes of funding or financing the Agreed Use, the Port will subordinate all or part of its interest hereunder to such lender, grantor or funding entity.
- 11. <u>Governing Law</u>. This Agreement and the rights of the parties hereto shall be governed and construed in accordance with the laws of the State of Washington and the parties agree that in any such action venue shall lie exclusively in Skagit County, Washington.
- 12. <u>Entire Agreement</u>. The entire agreement between the parties hereto is contained in this Agreement; and this Agreement supersedes all of their previous understandings and agreements, written and oral, with respect to this transaction. Neither the Port nor the Housing Authority shall be liable to the other for any representations made by any person concerning the Property or regarding the terms of this Agreement except to the extent that the same are expressed in this Agreement. This Agreement may be amended only by written instrument executed by the Port and the Housing Authority subsequent to the date hereof.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the day and year first above written.

PORT OF ANACORTES

By: Daniel C. Worra
Its: Executive Director

By: Brian Clark

Its: Executive Director

**ANACORTES HOUSING AUTHORITY** 

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STATE OF WASHINGTON COUNTY OF SKAGIT	) ) ss. )
Washington, duly commission known to be the Executive D	e, the undersigned, a Notary Public in and for the State of med and sworn, personally appeared, DANIEL C. WORRA, to me irrector of the PORT OF ANACORTES, and acknowledged the said voluntary act and deed of said corporation, for the uses and
purposes therein mentioned instrument on behalf of the c	and on oath stated that he/she was authorized to execute the said orporation.
GIVEN under my har	nd and official seal this day of January, 2019.
LESSLIE KAYE KAHNS Notary Public State of Washington	Print Name: Lessie Yaye Kahns NOTARY PUBLIC in and for the
Commission Number 154499 My Commission Expires 08/01/2023	State of Washington, residing at Stagt Comby My commission expires: August 1, 2073
STATE OF WASHINGTON	) ) ss.

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared, BRIAN CLARK, to me known to be the Executive Director of the ANACORTES HOUSING AUTHORITY, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the said instrument on behalf of the corporation.

GIVEN under my hand and official seal this

LESSLIE KAYE KAHNS Notary Public State of Washington Commission Number 154499 My Commission Expires 08/01/2023

**COUNTY OF SKAGIT** 

NOTARY PUBLIC in and for the State of Washington, residing at

My commission expires: \_

Addendum to Purchase and Sale Agreement:

The following is part of the Purchase and Sale Agreement dated January 4, 2019 between the Anacortes Housing Authority ("Buyer") and Port of Anacortes ("Seller") concerning the "Olson Building" located at 212, 214, 216, and 220 Commercial Avenue, Anacortes, Washington 98221 (the "Property").

It is agreed between the Buyer and Seller as follows:

The Closing Date referenced in Section 10 of the Purchase and Sale agreement shall occur on or before **March 12, 2019**.

All other terms and conditions of said Agreement remain unchanged:

Buver's Signature

Date

Seller's Signature

Date

# Addendum to Purchase and Sale Agreement:

The following is part of the Purchase and Sale Agreement dated January 4, 2019 between the Anacortes Housing Authority ("Buyer") and Port of Anacortes ("Seller") concerning the "Olson Building" located at 212, 214, 216, and 220 Commercial Avenue, Anacortes, Washington 98221 (the "Property").

It is agreed between the Buyer and Seller as follows:

All Lease Assignment and Assumption Agreements not fully executed prior to closing will be executed outside of closing.

All other terms and conditions of said Agreement remain unchanged.

Buyer's Signature Date

Seller's Signature Date

# Addendum to Purchase and Sale Agreement:

The following is part of the Purchase and Sale Agreement dated January 4, 2019 between the Anacortes Housing Authority ("Buyer") and Port of Anacortes ("Seller") concerning the "Olson Building" located at 212, 214, 216, and 220 Commercial Avenue, Anacortes, Washington 98221 (the "Property").

It is agreed between the Buyer and Seller as follows:

All utilities transfer and prorations associated with the property will be handled outside of closing.

All other terms and conditions of said Agreement remain unchanged.

Buyer's Signature

Date

Seller's Signature

Date

#### REAL PROPERTY PURCHASE AND SALE AGREEMENT

THIS REAL PROPERTY PURCHASE AND SALE AGREEMENT (the "Agreement") is made and entered into as of this 4th day of January, 2019 by and between the PORT OF ANACORTES, a Washington municipal corporation (the "Port") and the ANACORTES HOUSING AUTHORITY, a Washington municipal corporation (the Housing Authority").

WHEREAS, the Port owns the real property and building located at 212, 214, 216, and 220 Commercial Avenue, Anacortes, Washington 98221 commonly known as the "Olson Building", legally described as follows (the "Property"):

Lots 19-20 of Block 31, Map of Anacortes, according to the Plat thereof recorded in Volume 2 of Plats, pages 4 -7, records of Skagit County, Washington.

Tax Parcel No. P55040

Situate in Skagit County, Washington

The Escrow Agent is authorized to substitute a corrected legal description as required.

WHEREAS, the Property has been the subject of a condition study by the Port, utilizing the engineering firm, GHD, which resulted in a condition report dated May 11, 2017 (the "Report"). A copy of the Report is attached hereto as Exhibit "A". The Report concluded that that the Olson Building was "old and obsolete, slowly deteriorating, and non-compliant with current building codes." The Report further recommended either selective demolition and reconstruction or complete replacement of the Olson Building due to its condition.

WHEREAS, on December 3, 2018, the Port Commission determined that: (i) the Property was surplus to the needs of the Port, (ii) a renovated or reconstructed building would not provide a sufficient return on investment to the Port, (iii) the Port recognizes that development of subsidized workforce housing in Anacortes is an important component of economic development.

WHEREAS, the Housing Authority has proposed renovating the Property for use as subsidized workforce housing and ground floor commercial use. The term "subsidized workforce housing" means affordable housing for households with earned income that is insufficient to secure quality housing within a reasonable proximity to jobs in Anacortes, Washington.

WHEREAS, the Port and Housing Authority have each determined that the Property sale proposed herein will provide each of the parties "true and fair value", as that term is defined in RCW 43.09.210, relevant case law, and attorney general opinion by: (i) allowing for the best possible and most efficient use of the Property; (ii) allowing for the most cost effective and efficient rehabilitation or reconstruction of the Olson Building; (iii) providing releases and indemnifications to clarify responsibility for environmental remediation costs; and (iv) providing for a transfer of liability arising from the condition of the Olson Building.

WHEREAS, the Port wishes to sell the Property to the Housing Authority and the Housing Authority wishes to purchase the Property from the Port.

- NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:
- 1. <u>Purchase of Property.</u> The Port hereby agrees to sell and convey the Property to the Housing Authority, and the Housing Authority hereby agrees to purchase the Property from the Port, subject to the terms and conditions set forth herein.
- 2. <u>Purchase Price and Payment of Purchase Price.</u> The purchase price for the Property is One Dollar (\$1.00) (the "Purchase Price"), which shall be paid as cash at Closing.
- 3. Right of First Opportunity. The Port shall, at Closing, be granted a right of first opportunity ("Right of First Opportunity") to purchase the Property from Housing Authority. The form of the Right of First Opportunity is attached hereto as Exhibit "B".
- 4. <u>Due Diligence Study Period</u>. It is noted that the Housing Authority has completed due diligence and therefore there is no due diligence period.
- 5. <u>Leases</u>. The Property is subject to four (4), month-to-month leases between the Port and the following tenants: Classic Upholstery, a sole proprietorship; Marine Documentation Service, Inc., a corporation; and The Business, a sole proprietorship; and King Meadow LLC, a Washington limited liability company (collectively, the "Leases"). Copies of the Leases are attached hereto as Exhibits "C", respectively. At Closing, Housing Authority shall assume the Leases in the form of the Lease Assignment and Assumption Agreement attached hereto as Exhibit "D".
- 6. Title Commitment and Inspection. Title examination will be conducted as follows:
- 6.1 <u>Title Commitment</u>. The Port shall, within twenty (20) days after the date of this Agreement, acquire a commitment ("Title Commitment") for a standard owner's policy of title insurance, issued by Island, Title Insurance Company of Anacortes (the "Escrow Agent"). Upon receipt, the Port will provide a copy of the Title Commitment to the Housing Authority.
- 6.2 <u>Permitted Exceptions</u>. Rights reserved in federal patents or state deeds, building or use restrictions general to the district, existing easements not inconsistent with Housing Authority's intended use, and building or zoning regulations or provisions shall not be deemed encumbrances or defects and the Port shall not be obligated to remove them at or before Closing (the "Permitted Exceptions").
- 6.3 <u>Housing Authority's Objections</u>. The Housing Authority will make any objections it may have with regard to the Title Commitment and any schedules thereto within ten (10) days of the receipt of the Title Commitment. The Housing Authority's failure to make objections within such time-period will constitute a waiver of objections, with respect to matters disclosed in the Title Commitment and the schedules thereto. Any specific matter shown in the Title Commitment and

the schedules thereto and not objected to by the Housing Authority shall be included as a "Permitted Exception" hereunder. If the Housing Authority objects to any item in the Title Commitment and the Port is unwilling or unable to remove the item, then this Agreement and all rights hereunder shall terminate.

- 6.4. <u>Title Insurance</u>. The Port will provide the Housing Authority with a standard owner's title insurance policy with the permitted exceptions in the amount of Ten Thousand Dollars (\$10,000.00).
- 7. Conveyance of Title. Title shall be conveyed by Statutory Warranty Deed (the "Deed"), which shall be free of all encumbrances and defects, except the Permitted Exceptions, as defined above.

# 8. Environmental Representation, Warranty, and Release.

- 8.1 <u>Environmental Representation and Warranty</u>. Housing Authority acknowledges that it is a sophisticated purchaser of real property and that it has completed its own due diligence, with respect to the physical and environmental condition at the Property. The Property is being sold and conveyed and Housing Authority agrees to accept the Property "as is," "where is," and "with all faults," without warranties of any kind, and subject to any physical or environmental condition which may exist on, in, under, about, emanating from, arising from, or connected with the Property, without any representation or warranty by the Port, except as expressly set forth herein.
- 8.2 <u>Environmental Release</u>. Housing Authority hereby releases the Port, its Commissioners, and its employees from and against any and all losses, liabilities, damages, demands, claims, judgments, assessments, penalties, costs, expenses, liens, fines, or actions, as well as foreseeable and unforeseeable consequential damages, and all other costs and expenses of any kind or nature that are imposed on, paid by, or asserted against the Port, or its successor or assigns, with respect to the Property, arising out of or as a result of (i) the presence or threatened presence of any Hazardous Substances in, on, above, under, emanating from, arising from, or connected with the Property, (ii) any third-party claim, lawsuit, allegation, demand, or any past, present, or future non-compliance with, or violation of, any applicable Environmental Law, (iii) any investigation, inquiry, order, hearing, action, or other proceeding by or before any governmental agency in connection with or arising from any Hazardous Substance or applicable Environmental Law, or (iv) any diminution in value of the Property in any way connected with any occurrence or other matter referred to in this section.
- 8.3 <u>Hazardous Substances</u>. The term "Hazardous Substances", as used herein, means any substance heretofore or hereafter designated as hazardous or deleterious under the Resource Conservation and Recovery Act, 42 U.S.C. Sec. 6901 et seq; the Federal Water Pollution Control Act, 33 U.S.C. Sec. 1251 et seq.; the Clean Air Act, 42 U.S.C. Sec. 7401 et seq.; the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 U.S.C. Sec. 9601 et seq; or the Model Toxics Control Act, RCW 70.105D et seq., all as amended and subject to all regulations and codes promulgated thereunder.

- 8.4 <u>Environmental Law</u>. The term "Environmental Law", as used herein, means any federal or Washington State law regarding hazardous substances, and any regulations promulgated thereunder.
- 8.5 <u>Consideration</u>. The representations, warranties, release, indemnification, hold harmless, and defense are a material and negotiated part of the consideration provided by Housing Authority to the Port for the Property, and were an inducement to the Port to enter into this transaction. The representations, warranties, release, indemnification, hold harmless, and defense shall not merge into the deed or any other document provided to Housing Authority, but rather, shall survive Closing, runs with the land, and shall be binding on Housing Authority's successors and assigns. The Deed transferring title from the Port to Housing Authority shall reference this Section 8 as covenants running with the land.
- 9. <u>Escrow.</u> Upon execution of this Agreement, the parties hereto shall deposit an executed counterpart of this Agreement with the Escrow Agent and this Agreement shall serve as the instructions to the Escrow Agent for consummation of the purchase and sale contemplated hereby. The Port and the Housing Authority agree to execute such additional and supplemental escrow instructions as may be appropriate to enable the Escrow Agent to comply with the terms of this Agreement; provided, however, that in the event of any conflict between the provisions of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control.
- 10. <u>Closing.</u> The closing hereunder (the "Closing") shall be held and delivery of all items to be made at the Closing under the terms of this Agreement shall be made at the offices of the Escrow Agent on or before February 15, 2019 (the "Closing Date") or such other date as the Housing Authority and Port may mutually agree to in writing. All documents shall be deemed delivered on the date the Deed is recorded and possession of the Property shall be delivered to the Housing Authority on the Closing Date.
- 11. <u>Documents to be Delivered by Port for Closing.</u> On or prior to the Closing Date, the Port shall deposit with the Escrow Agent the following:
- a. The Deed duly executed and acknowledged by the Port, together with a duly executed real estate excise tax affidavit;
- b. Such funds as may be required of the Port to close the transaction contemplated herein;
  - c. Duly executed Lease Assignment and Assumption Agreements for each leasehold:
  - d. A duly executed copy of the Right of First Opportunity; and
- e. Such other instruments as are reasonably required by the Escrow Agent or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof.
- 12. <u>Documents to be Delivered by the Housing Authority for Closing.</u> On or before the Closing Date, the Housing Authority shall deposit with the Escrow Agent the following:

- a. The Purchase Price in cash:
- b. Such funds as may be required of the Housing Authority to close the transaction contemplated herein;
  - c. Duly executed Lease Assignment and Assumption Agreements for each leasehold;
  - d. A duly executed copy of the Right of First Opportunity; and
- e. Such other instruments as are reasonably required by the Escrow Agent or otherwise required to close the escrow and consummate the purchase of the Property in accordance with the terms hereof.
- 13. <u>Costs and Expenses Paid at Closing.</u> The Port shall pay the premium for any owner's policy of title insurance. The Port shall pay all real estate excise taxes. The Housing Authority shall pay for all recording fees, including, but not limited to, those necessary for the recording of the Deed and the Right of First Opportunity. The escrow fee shall be equally shared by Port and the Housing Authority.
- 14. <u>Prorations</u>. All revenues and all expenses of the Property, including, but not limited to, personal property taxes, special assessments, rents, water, sewer, and utility charges, shall be prorated as of 12:01 a.m. on the Closing Date.
- 15. <u>Authority.</u> The Housing Authority represents and warrants to Port that the Housing Authority has full right, power, and authority to execute this Agreement. No other authorizations or approvals, whether of governmental bodies or otherwise, will be necessary in order for the Housing Authority to enter into this Agreement. The Port represents and warrants to the Housing Authority that the Port has full right, power, and authority to execute this Agreement. No other authorizations or approvals, whether of governmental bodies or otherwise, will be necessary in order for the Port to enter into this Agreement. The person signing on behalf of the Port and the Housing Authority respectively represent and warrant that they have full right, power and authority to execute this Agreement on behalf of their respective organizations without further authorization or approval.
- 16. <u>Disclosure Statement.</u> To the extent permitted by Chapter 64.06 RCW, the Housing Authority waives receipt of the disclosure statement. To the extent that the waiver is not permitted by Chapter 64.06 RCW with regard to environmental matters, that disclosure is provided in Exhibit "E."
- 17. <u>Brokers and Finders.</u> Each party represents to the other that no broker or finder has been involved in this transaction. In the event of a claim for broker's fee, finder's fee, commission, or other similar compensation in connection herewith, the party that incurred such a fee or obligation shall be solely responsible for the payment thereof.
- 18. Attorneys' Fees. Each party shall bear the cost of their own attorneys' fees for the review of this document. If any lawsuit arises in connection with the performance of this Agreement, the substantially prevailing party therein shall be awarded and recover from the other party the

substantially prevailing party's costs and expenses, including reasonable attorneys' fees, incurred in connection therewith, in preparation thereof and on appeal therefrom, which amounts shall be included in any judgment entered therein.

19. Notices. All notices, demands, requests, consents, and approvals which may, or are required to be given by any party to any other party hereunder, shall be in writing and shall be deemed to have been duly given if delivered personally, sent by a nationally recognized overnight delivery service, or if mailed or deposited in the United States mail and sent by registered or certified mail, return receipt requested, postage prepaid to:

Housing Authority: Brian Clark

**Executive Director** 

**Anacortes Housing Authority** 

719 Q Avenue

Anacortes, WA 98221

Port: Daniel C. Worra

Executive Director Port of Anacortes

100 Commercial Avenue Anacortes, WA 98221

or to such other address as either party hereto may from time-to-time designate in writing and deliver in a like manner. All notices shall be deemed complete upon actual receipt or refusal to accept delivery. E-mail transmission of any signed original document, and retransmission of any signed e-mail transmission shall be the same as delivery of an original document. At the request of either party or the Escrow Agent, the parties will confirm e-mail transmitted signatures by signing an original document. If the last day of a period falls on a day on which the recording office of the county in which the Property is located is closed, the expiration of the period shall be extended to the first day thereafter in which any such recording office is open.

- 20. <u>Assignment.</u> No assignment of this Agreement may be made, except by written agreement signed by all parties hereto.
- 21. <u>Waiver</u>. No failure by the Port or Housing Authority to insist upon the strict performance of any covenant, duty, agreement, term, or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement, term, or condition. Any party hereto, by notice, and only by notice, as provided herein, may, but shall be under no obligation to, waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation or covenant of any other party hereto. No waiver shall affect or alter this Agreement, and each and every covenant, duty, agreement, term, and condition of this Agreement shall continue in full force and effect with respect to any other term then existing or subsequent breach thereof.
- 22. <u>Survival</u>. All provisions of this Agreement which involve obligations, duties or rights and all representations, warranties, and indemnifications made in or to be made pursuant to this Agreement shall survive the Closing Date and/or the recording of the Deed and shall be separately enforceable as a contract.

- 23. Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.
- 24. Additional Acts. Except as otherwise provided herein, in addition to the acts and deeds recited herein and contemplated to be performed, executed, and/or delivered by the Port or the Housing Authority, the Port and the Housing Authority hereby agree to perform, execute, and/or deliver, or cause to be performed, executed, and/or delivered, at the Closing Date, any and all such further acts, deeds, and assurances as the Housing Authority or Port, as the case may be, may reasonably require to: (i) evidence and vest in the Housing Authority the ownership of and title to the Property, and (ii) consummate the transactions contemplated hereunder. Time is specifically declared to be of the essence of this Agreement and of all acts required to be done and performed by the parties hereto.
- 25. Neutral Authorship. Each of the provisions of this Agreement has been reviewed and negotiated, and represents the combined work product of all parties hereto. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.
- 26. Governing Law. This Agreement and the right of the parties hereto shall be governed by and construed in accordance with the laws of the State of Washington and the parties agree that in any such action venue shall lie exclusively in Skagit County, Washington.
- 27. Entire Agreement. The entire agreement between the parties hereto is contained in this Agreement; and this Agreement supersedes all of their previous understandings and agreements, written and oral, with respect to this transaction. Neither the Port nor the Housing Authority shall be liable to the other for any representations made by any person concerning the Property or regarding the terms of this Agreement except to the extent that the same are expressed in this Agreement. This Agreement may be amended only by written instrument executed by the Port and the Housing Authority subsequent to the date hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

PORT OF ANACORTES

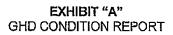
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Its: Executive Director

ANACORTES HOUSING AUTHORITY

By: Brian Clark

Its: Executive Director







11 May 2017 Reference No. 2017-003

Ms. Brenda Treadwell
Port of Anacortes
100 Commercial Avenue
Anacortes WA 98221
brenda@portofanacortes.com

Re: Evaluation, Options, and Cost Estimates for the Marine Hardware Block Buildings

Dear Ms. Treadwell,

On the 23<sup>rd</sup> of January 2017, GHD Team signed a contract with the Port of Anacortes (Port) to provide engineering consulting services to evaluate and prepare recommendations for the rehabilitation or replacement of the historic buildings known as the Marine Supply and Hardware Complex. Consulting services include evaluation of existing conditions, preparation of options for renovation/replacement, and preparation of preliminary cost estimates for each option, in accordance with our revised proposal dated 23rd of January. Our services specifically address the existing buildings on the east side of the block between 2<sup>nd</sup> and 3<sup>rd</sup> Streets facing Commercial Avenue. Our scope excludes the two dwellings facing 3<sup>rd</sup> Street, as well as other structures and storage areas on the same block.

Wally Jajou and Jim Cook of GHD Team visited the Port on 3 February 2017 for an initial meeting with Port representatives. Since there is very little reliable information available regarding the subject buildings, we conducted a visual examination of the Marine Supply & Hardware Building (MS&H Building), a timber framed structure, and the adjacent Olson Building (Brick Building), an unreinforced masonry structure. During our visit, we also took measurements and photographs of the subject buildings for reference purposes.

#### **Project History and Background**

This entire block between 2<sup>nd</sup> and 3<sup>rd</sup> Streets, 'O' Avenue and Commercial Avenue, was acquired by the Port of Anacortes in 2015. The Port continues to rent tenant spaces in the buildings to several local businesses. The buildings facing Commercial Street, known as the Marine Supply & Hardware Complex, were listed in 1987 on the National Register of Historic Places (NHRP #870012943).

We understand from our correspondence with Nicholas Vann, AIA, State Historical Architect representing the Washington Department of Archaeology & Historic Preservation (DAHP), that the National Register listing is an honorary and symbolic designation that comes with no strings attached, unless the property is protected under a preservation easement, or is currently benefiting from historic tax credits or special tax valuation. A mandatory review by the Anacortes Historic Preservation Board (AHPB) will be required for major exterior alterations proposed for buildings listed on the National Register. Though certain minor alterations can be approved administratively (such as siding repair), major exterior alterations are required to be reviewed by the Anacortes Historic Preservation Commission. As with most properties on the National Register, the recommendations of the AHPB are only advisory. However, the Port will make the ultimate decision to fit its needs and vision for this block.

#### **Existing Port Tenants:**

- 1. The Marine Supply & Hardware Building (both businesses under the same ownership):
  - a. Marine Supply & Hardware Store, 202 Commercial Avenue.
  - Alley Cat Antique Store, 208 Commercial Avenue.
- 2. Brick Building:
  - a. Marine Documentation Service, Inc., 212 Commercial Avenue.





- The Business Record Store, 216 Commercial Avenue.
- c. Classic Upholstery Store, 220 Commercial Avenue.
- Second story tenant (in the process of vacating).
- e. The basement is leased by Marine Supply and Hardware Store for Storage space.
- The alleyway between the two Buildings Bikespot, 210 Commercial Avenue.

# Visual Observation. Preliminary Analysis and Required Improvement

GHD personnel visually examined the two subject buildings, both inside and out on 3 February 2017, and spent most of the day examining the building interiors, and measuring the outside for preparation of the recommendations and options included in this report. A layout drawing of the two buildings was prepared and is attached in Appendix A.

Included in this report are the following Appendices:

Appendix A -- Figure 01 Buildings Floor Plans, Figure 02 Schematic Pre-Fab Building Replacement, and Figure 03 Brick Building Option 1 Steel Framing

Appendix 8 - Buildings Photos

Appendix C - Ratings of existing building components

Appendix D - Engineering Opinion of Probable Cost Options

The MS&H Building is a single story structure constructed of wood timbers and framing clad with horizontal lapped wood siding. It is not known when the structure was originally built, but is assumed to have been constructed in the early 1900's. A small existing wood structure is located in the alley that once separated the MS&H from the Brick Building. This structure is entirely non-compliant with applicable building codes, and for that reason, the small structure occupied by the bicycle store tenant has not been included in evaluations and recommendations included in this report.

MS&H Building Floor Area = 50'x74'+50'x68' = 7,100 square feet (gross).

- Foundation: The existing foundation supporting the structure is in very poor condition, with no proper perimeter footing or foundation. The interior roof support posts vary in size and height, with each post supported on blocks of concrete varying in size, supported directly on un-compacted native subgrade. (See photos in Appendix B.)
  - Major foundation improvements are strongly recommended for this building. We suggest that a new perimeter foundation be placed on all four sides of the buildings, including replacement of interior posts to be supported by new concrete footings. All new footings would be placed over properly compacted crushed rock. The new posts would be placed on a new grid layout to satisfactorily support and level the floor assembly to mitigate possible excessive foundation settlement.
- 2. Floor: The existing wooden floor assembly needs to be completely replaced due to its deteriorated condition. The existing floor materials are very old, and dry rot is evident in planks and beams. Replacement would include new wood beams, stringers, structural decking and finish flooring. The floor has experienced significant differential settlements through the years, and it is out of level to the point of becoming potentially hazardous to occupants and the public. (See photos in Appendix B.)
- 3. Walls: The perimeter walls do not appear to be structurally sufficient to transfer lateral and seismic forces in compliance with the current building codes. The gypsum wallboard needs to be removed so existing walls can be strengthened by the addition of studs and bracing members. Work on the wall assemblies would allow installation of seismic anchors connecting the new foundation and extending seismic connections to the roof structure. Electrical and plumbing systems could also be replaced and upgraded before closing the walls with new gypsum wallboard. (See photos in Appendix B.)
- 4. Roof: The existing roof assembly exhibits water damage from significant leaks. Some of the

Port of Anacortes Marine HW Block Bldgs Proposal 2017-003



existing wood timber members show evidence of dry rot, a direct consequence of the roof leaks. The entire roof assembly should to be replaced to conform to current structural codes, with new stronger timbers, new roof sheathing, and a new roofing system. The new roof could be designed to act as a diaphragm to transmit the lateral and seismic forces via the upgraded perimeter wall framing to the new perimeter foundation. Replacement of the entire roof would provide a durable and long lasting roofing system.

 Electrical, Mechanical and Plumbing: The existing electrical, mechanical and plumbing systems are not in compliance with current building codes, and are in need of replacement. This recommendation includes the entire building's electrical, mechanical and plumbing systems. (See photos in Appendix B.)

The Brick Building appears to have been constructed in two distinct phases, at separate times, with each two-story wing being approximately 50 foot square. The north side of the building has an existing basement that extends to the east under the sidewalk on Commercial Avenue. The south building wing has no basement.

The two wings of the building were constructed primarily with unreinforced clay brick masonry. Only the rear elevation of the building was constructed with a mixture of clay brick and concrete masonry units. Concrete masonry at the rear façade was mostly utilized as a patchwork of fill between the level of the first floor and the roof line. The building elevation facing Commercial Avenue features decorative red brick masonry, and has a pleasing appearance. At original openings for windows and ground floor entrances, upper masonry walls are supported by masonry arches. At the storefront openings of tenant spaces facing Commercial Avenue, upper masonry walls are supported by exposed steel beams bearing the weight of the upper masonry walls. Openings in the concrete masonry wall at the rear of the building are spanned by concrete lintels.

Brick Building Floor Area: 56'x100'x2 stories = 11,200 square feet (gross).

- Foundation: Based on visual observations at the rear of the building, the perimeter foundations
  appear to be constructed of stone masonry. The walls of the existing basement under the north
  wing support the masonry walls above, except where steel beams span under the masonry wall
  at the Commercial Avenue elevation. The basement extends out under the sidewalk nearly to the
  edge of street pavement. (See photos in Appendix B.)
  - Since the construction of the existing foundation supporting the perimeter brick walls could not be verified, the structural capacity cannot be satisfactorily known based on available information. Current building codes require that a foundation be capable of transmitting significant seismic and gravity loads to the underlying subgrade whereas these buildings were originally built during a time when there were no building safety codes.
  - Historically, unreinforced brick masonry buildings are the first to experience severe damage and structural failure during high-energy seismic events. This brick building is a very heavy structure and is not very ductile or flexible, and will not be capable of absorbing high lateral loads like the stresses applied during an earthquake event without severe damage. Rehabilitation of this building should include placement of micro-piles and new concrete footings that will satisfy current code requirements.
- 2. Building Perimeter Walls: All existing perimeter walls are constructed from red brick (4"x2 2/3"x8") or concrete masonry units. The exterior masonry walls are unreinforced, and are expected to exhibit significant damage during and following any future high-energy seismic event. Field measurements indicate that the typical exterior masonry wall thickness is 16-inches. The walls are constructed as a sandwich of 4-inch wide bricks stacked in a running bond at the inside and outside faces, with an 8-inch wide cavity in the middle. Typically, there are connecting bricks spaced approximately every 4 to 5 brick lengths horizontally bridging between the inner and outer masonry wall faces connecting the two sides. (See photos in Appendix B.)

This type of masonry cavity wall is too weak to survive a significant seismic event. The weight of the masonry walls can generate high lateral and vertical seismic loads. When masonry walls are not reinforced with steel reinforcing, they readily fail under such extreme lateral loading, and are likely to cause substantial property damage.



We recommend complete rehabilitation of the building perimeter foundation to properly support the existing masonry. The existing walls could be supported by a new steel support frame designed to support the existing brick which could be erected on the inside of the building, with horizontal steel girds placed at 4 foot intervals along the full height of the wall. The system of steel girds would be tied to steel reinforcing mesh embedded in a 2-Inch thick mortar bed placed on the inside surface of the existing brick walls. The mesh and mortar bed would help stabilize and secure the existing brick, transferring masonry loads into the steel support frame and down to the foundation.

- Second Floor Partitions: The existing wood stud and gypsum wallboard interior partitions that
  configure and separate the second story rooms appear to be water-damaged due to roof leaks
  over a long period of time. The wallboard is damaged and studs are rotted. All of the second floor
  partitions should to be demolished and replaced.
- 4. Roof: The existing roofing system was not observed on this site visit. However, based on visual inspection of the second floor ceilings, it is obvious that the roof has been leaking over a long period of time. It is expected that there is significant dry rot in the existing wood structural members extending across the entire roof structure. We recommend complete removal and replacement of the roof assembly. (See photos in Appendix B.)
- Electrical, Mechanical and Plumbing: Existing electrical, mechanical and plumbing systems are
  obsolete and non-compliant with current building codes. These fundamental systems are in need of
  complete removal and replacement. (See photos in Appendix B.)

#### Rehabilitation and/or Replacement Options

Option 1: Rehabilitate the Marine Supply & Hardware Complex, including the MS&H Building and the Brick Building, to comply with all the current applicable building codes. Rehabilitation efforts should attempt to maintain the same exterior materials and appearance, and should not be required to be implemented exactly in conformance with the Secretary of the Interior Standards for Rehabilitation because after all it is an honorary and symbolic designation as mentioned earlier.

1. MS&H Building: Rehabilitation efforts would consist of selective demolition and a complete demolition of the existing wood structure located in the alley that once separated the two buildings, installing a new concrete foundation at the building perimeter, installing new interior posts and concrete footings, replacing the floor assembly with new material similar to the existing floor, strengthening all bearing walls by replacement of rotted studs and the addition of new studs and brace members, adding seismic anchors connecting bearing walls to the foundation, and replacing the roof assembly with a new roof structure that matches the existing configuration. This work would allow for simultaneous replacement of the outdated electrical, plumbing and mechanical systems.

Anticipated life span of the following building elements after rehabilitation:

- a. Interior finishes lease period, typically 5-10 years
- b. Roof and Mechanical Systems 20 years
- Windows, Wall Cladding and Electrical systems 30 years
- Building structure, Floors & Foundation if protected from the weather 50-100 years

MS&H Building Cost Estimate (complete including engineering) = \$1,652,398 (\$232.73/SF). (See attached Cost Estimate for detail – Appendix D.)

2. Brick Building: The proposed structural rehabilitation would require removal of the existing roof assembly. Removal of the roof would allow installation of a new steel support frame at the inside face of the existing brick masonry walls. The steel frame would serve to support the existing unreinforced masonry, the floors and the new roof assembly. The brick wall at the rear of the building would be completely removed to facilitate demolition and construction activities. The rear wall would then be



reconstructed after construction work inside the building is completed. The opening of the entire rear wall would reduce construction time and should result in lower costs.

A preliminary analysis of the proposed steel frame has been completed for the purpose of preparing the enclosed preliminary cost estimate. (See model sketch Figure 03 in Appendix A.) The new steel columns would be supported by a new concrete foundation, with each footing to be placed over two micro-piles to transmit the high seismic loads transferred from above. The existing floor assemblies would be removed and replaced with new and similar materials as required for support of the code compliant design loads. The basement would also be renovated by replacing rusted steel beams with stronger steel beams. At the second floor, gypsum wallboard and rotted wood framing at interior partitions would be replaced by new framing and gypsum wallboard. The roof assembly would be replaced with a new structure capable of supporting code compliant dead loads, live loads and snow loads. As with the MS&H BUILDING, the proposed structural work would allow for replacement of the obsolete electrical, plumbing and mechanical systems.

Anticipated life span of the following building elements after rehabilitation:

- a. Interior finishes !ease period, typically 5-10 years
- b. Roof and Mechanical Systems 20 years
- c. Windows, Wall Cladding and Electrical systems 30 years
- d. Building structure, Floors & Foundation if protected from the weather 50-100 years

Brick Building Cost Estimate (complete including engineering) = \$2,966,766 (\$264.89/SF).

Combined Cost Estimate = \$4,619,164. (See attached Cost Estimate for detail – Appendix D.)

Option 1 Anticipated Schedule: Design and Permitting 12 months, Construction 20 months, Total = 32 Months

Option 2: In this option, both buildings would be demolished including the existing wood structure located in the alley that once separated the two buildings. The two buildings would be replaced, in kind, with two entirely new structures of conventional construction meeting all current building code requirements. The replacement buildings could maintain the same plan configuration of the existing leased areas. We strongly suggest complete replacement with new buildings on new foundations designed to support lighter and more ductile-type structural assemblies constructed with metal studs and modern cladding, a metal roof structure, new roofing, and including new electrical, plumbing and mechanical systems.

For the Brick Building, we also recommend complete replacement of the existing structure with a new steel frame building featuring metal stud walls and modern cladding. Proposed work would demolish the basement, backfilling the void with engineered fill material. New pilings would not be required for the new foundation since the replacement structure would be designed to be lighter and more ductile to resist gravity, seismic and lateral loads. The proposed roof assembly for this building would also be framed in metal to carry a new roofing system and all anticipated design loads. This option also includes installation of completely new electrical, plumbing and mechanical systems for both buildings.

Anticipated life span of the following building elements:

- a. Interior finishes lease period, typically 5-10 years
- b. Roof and Mechanical Systems 20 years
- c. Windows, Wall Cladding and Electrical systems 30 years



d. Building structure, Floors & Foundation, if protected from the weather - 50-100 years

MS&H Building Cost Estimate (complete including engineering) = \$1,671,957 (\$235.49/SF). Brick Building Cost Estimate (complete including engineering) = \$2,426,214 (\$216.63/SF). Combined Cost Estimate = \$4,098,171. (See attached Cost Estimate for detail – Appendix D.)

Option 2 Anticipated Schedule: Design and Permitting 12 months, Construction 16 months, Total = 28 Months

Option 3: For this final option, we propose that both buildings and the small existing wood structure located in the alleyway should be demolished, and the site filled and graded for construction of two buildings of similar footprint and floor heights as the Brick Building (23-ft), in a new pre-engineered metal building (Brick Building location will include a second floor with open space). Each would be a single building shell (below cost provided for the two single shells) or an alternative can combine the two buildings as a single shell building. Additionally, if the Port desires, the shell height can be increased to 32-ft. We anticipate the building total cost increases by about 5% (single shell total estimated cost will be \$2,516,139 with 2<sup>nd</sup> floor provided and \$2,219,088 with no 2nd floor). This option does not reproduce the same configuration of the existing leased areas, so it is difficult to compare anticipated construction costs with the preceding options. The new building would be supported on a concrete foundation with an 8- inch thick concrete slab-on-grade, and would feature four large overhead doors. Electrical, plumbing and mechanical systems would be designed as required to suit the needs of the new building tenants. The new building could be designed for many possible uses, such as cargo storage, new industrial customers, or to suit many other possible tenant requirements. (See Figure 02 in Appendix A.)

Anticipated life span of the following building elements:

- a. Interior finishes Electrical and Mechanical Systems lease period, typically 10-15 years
- b. Roof 20 years
- c. Windows, Wall Cladding 30 years
- d. Building structure, Floors & Foundation if protected from the weather 50-100 years

MS&H Building Cost Estimate (complete including engineering) = \$987,689 (\$139.11/SF). Brick Building Cost Estimate with  $2^{nd}$  floor (complete including engineering) = \$1,349,123 (\$120.46/SF).

Combined Cost Estimate = \$2,336,812 (See attached Cost Estimate for detail - Appendix D.)

Option 3 Anticipated Schedule: Design and Permitting 10 months, Construction 12 months, Total = 22 Months



#### Summary

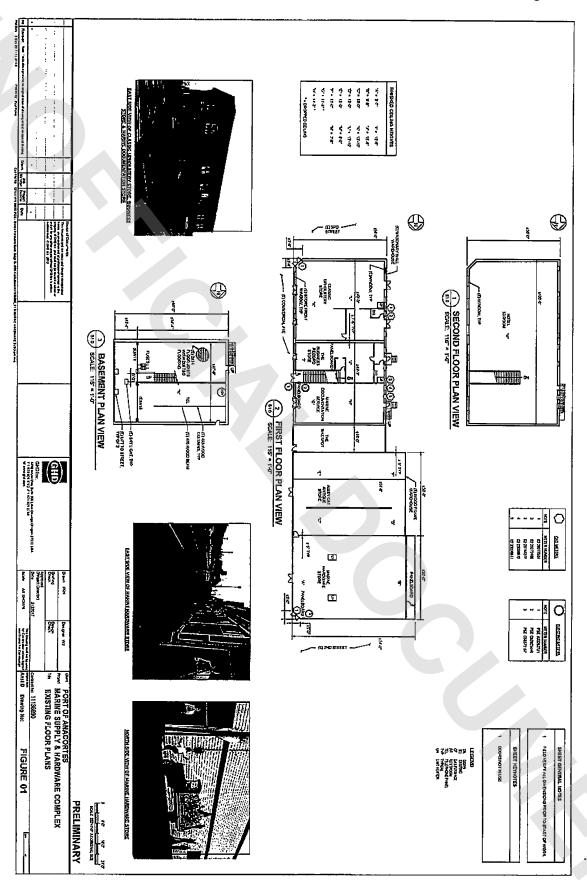
The existing buildings considered under this study are old and obsolete, slowly deteriorating, and non-compliant with current building codes. Attached is a rating matrix identifying the condition of existing building components for each of the two buildings. Their historic significance requires due consideration of reasonable rehabilitation efforts that would maintain their original appearance, but this rehabilitation will come at a premium. It is expensive and difficult to implement the selective demolition and construction strategies described above under Option 1 to upgrade the structures to overcome code deficiencies while simultaneously maintaining the existing historic appearance and character.

The costs for completely replacing the existing buildings as described in Options 2 and 3 above are notably less than the anticipated costs associated with options for rehabilitation.

The ultimate decision to be made by the Port of Anacortes should carefully consider the economic costs and benefits to the community.



# APPENDIX A

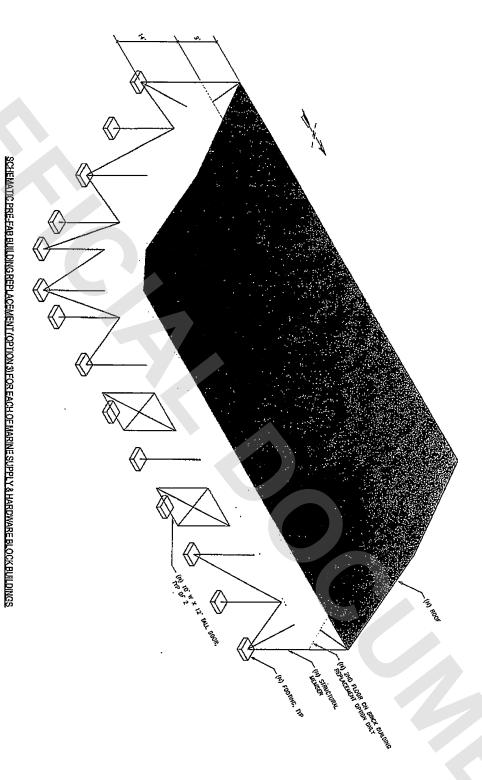




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MARINEHARDWARE BLOCK BUILDINGS FIGURE 02

Job Number 11136680 Revision A



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